

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

RATE ADJUSTMENT DUE TO EXTRAORDINARY
OR EXCEPTIONAL CIRCUMSTANCES

Docket No. R2010-4R

STATEMENT OF ALTAF TAUFIQUE
ON BEHALF OF THE
UNITED STATES POSTAL SERVICE

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1 **I. Introduction**

2
3 My name is Altaf H. Taufique. I am a Pricing Economist for the U.S. Postal
4 Service. I have worked for the Postal Service in Pricing since 1996, mostly on
5 Periodicals and First-Class Mail.

6 I have testified on pricing and pricing policy issues before the Postal Rate
7 Commission (predecessor to the Postal Regulatory Commission) in Docket Nos.
8 R97-1, R2000-1, R2001-1, R2005-1, R2006-1, MC96-3, MC99-3, MC97-5,
9 MC2002-3 and MC2004-1.¹

10 I sponsor the Postal Service's prices in this docket. The main purpose of
11 this statement is to explain how these prices are reasonable and equitable in light
12 of the current circumstances for the Postal Service and its customers (Section
13 III).

14 First, I present an overview of the Postal Service's pricing on a class and
15 product basis (Section II). After showing that these prices are reasonable and
16 equitable (Section III), I follow with a more detailed discussion of the pricing in
17 each class, focusing on statutory requirements, and other policy issues that
18 pertain to that class (Section IV).

19 As with any price change request, the pricing factors and objectives guide
20 postal pricing decisions. A discussion of how these prices promote the statutory
21 objectives and take into account the statutory factors is included in Section V.
22 Section VI shows how the proposal complies with the PAEA's requirements for
23 preferred categories of mail.

¹ For more biographical information please refer to USPS-T-32, Docket No. R2006-1.

1 **II. Overview**

2
3 The statement of Mr. Nickerson describes the Postal Service's current and
4 future financial condition, including the Five-Year Business Plan (Plan) that
5 outlines solutions to the financial problems confronting the Postal Service. The
6 Plan includes efforts across a broad front (legislative, labor and operational).
7 Because of the slow pace of needed legislative changes, the Postal Service has
8 developed a pricing proposal that more broadly may be thought of as an
9 alternative component to help resolve our financial difficulties. Specifically,
10 however, this pricing proposal is intended to recover, in part, the financial harm to
11 the Postal Service caused by the volume losses associated with the Great
12 Recession.

13 In describing the extraordinary circumstances that justify the Postal
14 Service's proposed exigent increase, Mr. Nickerson provides the contribution
15 losses resulting from the Great Recession (See Nickerson Statement, Table 2).
16 However, rather than proposing to recover the entire contribution loss through
17 price changes, the Governors have decided to limit the exigent price increase to
18 4.3 percent over and above the CPI increase (Docket No. R2013-10). This
19 limitation reflects their concern regarding volume losses which could be triggered
20 by an even larger increase.² As urgent as the Postal Service's financial needs
21 are, increases that are too high could threaten the financial health and, possibly,
22 even the survival of key customer segments and industries.

² Nickerson Statement on page 3.

1 The Postal Service believes that a long-run solution to its financial
2 condition will require legislative changes to allow it return to the path of profitable
3 long-term operations and provision of postal services. However, as stated in
4 Nickerson's statement:

5 As the timely passage of comprehensive postal reform legislation
6 that adequately addresses the shortcomings in our business model
7 has not occurred in the past three years, nor can it be assured to
8 occur at any time in the future, the Postal Service must consider
9 additional actions to assure that it has sufficient liquidity to continue
10 operations, which is why this increase is being proposed.

11
12 Nickerson Statement at 13.

13
14 **A. The Postal Service has chosen an across-the-board price change**
15 **for the Exigent increase.**

16
17 In contrast to the original Docket No. R2010-4 exigent filing in July 2010,
18 the current exigent proposal reflects an across-the-board increase for all classes
19 of mail, all products within each class of mail (subject to rounding), and, to the
20 extent possible, for each price cell within each product. This approach is similar
21 to the approach adopted by the Postal Service and approved by the Commission
22 in Docket No. R2005-1.³

23 The Postal Service's across-the-board route in this particular docket has
24 the virtue of treating all mailers the same (or, as nearly as practicable, the same).
25 This approach balances the many considerations that affect pricing decisions,
26 and is reasonable and equitable among the users of market dominant products,
27 while allowing the Postal Service to make progress towards long-run financial

³ In that docket only one factor (a statutory escrow funding requirement) drove the price increase, and that factor did not affect mail classes or customers differently.

1 stability.⁴ In this sense, it is arguably as fair and equitable as any other manner
2 that might be devised to distribute the burden of this exigent increase.

3 However, an across the board exigent price increase has its own logistical
4 limitations. Rounding constraints can lead to larger or smaller increases than the
5 across the board factor. Prices that are estimated using cost avoidances and
6 benchmarks may result in a passthrough that gets further out of compliance
7 because of the application of an across-the-board factor. The description of the
8 Postal Service's approach to the Exigent price change is provided below.

9 The exigent price change is being proposed in conjunction with an annual
10 CPI change (Docket No. R2013-10). While the proposed Exigent price change is
11 an across-the-board price change, the CPI case (which provides the base prices
12 for the exigent increase) is not across-the-board and incorporates modest
13 structural changes that we believe will benefit the Postal Service and the mailers.
14 Taken together, we believe that the resulting prices will be effective in meeting
15 the Postal Service's revenue objectives, in light of the statutory standards for
16 Exigent increases as explained by Mr. Nickerson.

17 The general approach in calculating the proposed prices was to start with
18 an across-the-board 4.3 percent increase for each price cell, using the adjusted
19 prices in the CPI filing (Docket No. R2013-10) as the base. One of the reasons
20 for deviating slightly from this across-the-board increase was to avoid adverse

⁴ While the 4.3 percent increase may include some unused rate authority to be exhausted under Commission Rule 3010.63(c), the price increases in this docket may be referred to as "Exigent" increases, for simplicity. They are clearly distinguished from the price adjustments in the annual CPI case also being filed today (Docket No. R2013-10).

passthrough changes, compared to the passthroughs resulting from the CPI case.

1. If the original passthrough (in the CPI case) for a particular price cell was less than 100 percent and as a result of the 4.3 percent increase the passthrough increased but remained below 100 percent, the 4.3 percent increase prevailed. However, if this passthrough increased to over 100 percent, then the price change was modified to bring the passthrough at or below 100 percent.
2. If the original passthrough was already over 100 percent, and the 4.3 increase in the price cell caused the passthrough to go even higher, then the price increase was modified to bring the passthrough down to the CPI case level. In some instances, it was not possible to bring it exactly to the same level, but it was brought as close as possible (either slightly higher or lower).
3. If the original passthrough was 100 percent and did not change as a result of the 4.3 percent increase (e.g., both the base rate and workshare rate increased by the same absolute amount), or if there were no worksharing relationships associated with a particular price cell, then the 4.3 percent increase was maintained.

Because passthrough reductions under items 1 and 2 above were achieved by raising some prices, the across the board component was reduced slightly below 4.3 percent. The goal was to keep the overall increases for each product and each class of mail as close to 4.3 percent as practical without going over; some products may have increased slightly higher than the self-imposed 4.3 percent ceiling, but the change for each class of mail is very close to 4.3 percent. In addition to the passthrough issues discussed above, in some cases the 4.3 percent across the board changes were modified for particular price cells to maintain the dropship discounts across various presort levels, and/or to maintain the same discount for nonprofit price cells compared to their commercial counterparts.

1 **B. This Exigent filing does not need to deviate from across the board**
2 **for underwater classes or products.**

3
4 In my opinion, the across the board approach is fair, notwithstanding the
5 underwater condition of certain classes and products. We cannot afford to adopt
6 a short-term perspective and take actions that will “fix” a coverage problem by
7 permanently driving mail—mail that we believe will become profitable as the
8 Postal Service and the mailing community adjust to operational and marketplace
9 realities—or mail that is valued in the mailbox—out of the system. The only way
10 the Postal Service will be able to price mail so that it makes a contribution is if it
11 remains in the mailstream.

12 **1. Most Underwater Cost Coverages are being addressed**
13 **in Docket No. R2013-10**

14
15 According to the FY 2012 ACD, the following classes and products did not
16 cover their cost:

Class/Product	Cost Coverage
First-Class Mail Parcels	98.50
Standard Mail Flats	80.90
Standard Mail Parcels	85.50
Periodicals Within County	70.51
Periodicals Outside County	72.16
Package Services Single-Piece Parcel Post	92.20
Package Services Media and Library Mail	85.30
Stamp Fulfillment Service	59.30

17
18 The Postal Service is using the CPI case (Docket No. R2013-10) to
19 address most of these underwater products. A discussion of these products
20 follows.

1 First-Class Mail Parcels prices proposed in Docket No. R2013-10
2 increases by 6.3 percent, significantly above the 1.6 percent average increase
3 proposed for the class as a whole.

4 An above-CPI increase is proposed for both Standard Mail Flats and
5 Standard Mail Parcels, with increases of 1.809 and 1.820 percent, respectively.

6 For Periodicals, the Postal Service provides pricing signals to encourage
7 mail preparation and entry behavior, which, in conjunction with requiring Flats
8 Sequencing System (FSS) preparation, is expected to reduce costs for
9 Periodicals. The Postal Service provides an incentive to enter mail closer to
10 destination, and proposes an above-average increase for the Outside County
11 bundle and sack prices, which currently fall well below costs. The intent is to
12 gradually move Periodicals class towards covering its attributable costs.

13 Single-Piece Parcel Post (now Standard Post) within Package Services
14 has been moved to the competitive list, while a higher than average increase
15 (2.061 percent) is proposed for Library and Media Mail in Docket No. R2013-10,
16 well above the average increase for Package Services.⁵

17 Within Special Services, only one product, Stamp Fulfillment Services
18 (SFS), was reported with a cost coverage below 100 percent (59.3 percent).
19 The Postal Service agrees with the Commission's conclusion that: "Although SFS
20 does not cover its attributable costs, by providing a mechanism for the
21 centralized ordering of stamps, it reduces the costs associated with the retail
22 purchases of stamps. Thus, it promotes the objectives of reducing costs and

⁵ BPM Flats prices within Package Services have been proposed to increase less (0.314 percent) than average, so more of the cap space can be allocated to the underwater products.

1 increasing efficiency. See 39 U.S.C. 3622(b)(1) and (c)(12).”⁶ As requested by
2 the Commission, the Postal Service also plans to revise the cost estimation
3 methodology to fix a double counting issue and reduce SFS costs.

4 In summary, the Postal Service believes that the prices resulting from both
5 the CPI and the Exigent cases are effective in moving to cover costs for all
6 products. As shown in Mr. Nickerson’s after-rates cost coverage estimates
7 (Attachments 11, 12, 25, and 26 to Mr. Nickerson’s Statement), considerable
8 progress is being made for all the underwater products.⁷

9 The following price changes by product are proposed, as shown in the
10 table on the following page, and described in more detail below.⁸

11

⁶ FY2012 Annual Compliance Determination, at 142.

⁷ Stamp Fulfillment Services may be an exception.

⁸ The percentage changes by class and product follow the Commission’s methodology for calculating price changes using a fixed-weight index with historical billing determinants as weights. The Special Services class has a higher CPI increase (2.50 percent) than the other classes because Special Services has a substantial amount of unused price authority available.

1
2

Table 2: Price Changes by Mail Class and Product

Class / Product	CPI Increase (%)	Exigent Increase (%)	CPI + Exigent (%)
First-Class Mail	1.587	4.281	5.936
Single-Piece Letters / Postcards	1.141	4.276	5.466
Presorted Letters / Postcards	1.615	4.291	5.975
Flats	1.267	4.627	5.953
Parcels	6.335	4.349	10.959
FCMI	5.994	2.391	8.459
Standard Mail	1.609	4.264	5.942
Letters	1.614	4.259	5.941
Flats	1.809	4.283	6.159
Parcels	1.820	4.335	6.233
High Density and Saturation Letters	1.322	4.212	5.590
High Density and Saturation Flats/ Parcels	1.412	4.261	5.733
Carrier Route	1.666	4.288	6.026
Every Door Direct Mail – Retail	5.000	4.167	9.375
Periodicals	1.568	4.297	5.934
Outside County	1.563	4.297	5.927
Within County	1.705	4.306	6.085
Package Services	1.565	4.303	5.935
Alaska Bypass	2.440	4.232	6.775
Bound Printed Matter Flats	0.314	4.626	4.955
Bound Printed Matter Parcels	1.680	4.484	6.239
Media Mail / Library Mail	2.061	4.304	6.454
Inbound Surface Parcel Post	2.152	0.000	2.152
Special Services	2.500	4.318	6.926
Ancillary Services	2.686	4.372	7.176
International Ancillary Services	1.521	4.188	5.773
Address Management Services	4.097	3.542	7.784
Caller Service	2.441	4.329	6.876
Credit Card Authentication	0.000	5.000	5.000
International BRM Services	2.901	2.819	5.802
Money Orders	0.017	4.042	4.059
Post Office Box Service	2.621	4.177	6.906
Customized Postage	3.175	4.308	7.619
Stamp Fulfillment Services	0.000	5.005	5.005
Total All Classes	1.635	4.278	5.995

1 Together with the CPI price change also filed today, these changes
2 produce an overall increase of slightly under 6.0 percent from current prices.
3 Sections III and IV provide a more detailed discussion of these pricing changes.
4 The complete set of pricing changes is presented in Attachment A to the
5 Renewed Exigent Request in Response to Order No. 1059.

6
7 **III. The Proposed Price Adjustments are Reasonable and Equitable**

8 A. The Postal Service's Exigent Pricing Proposal is Reasonable and
9 Equitable

10
11 1. The limited price increase is reasonable.

12
13 The exigent increase of 4.3 percent over and above the CPI increase of
14 approximately 1.6 percent is a reasonable increase.⁹ The exigent financial
15 damage to the Postal Service resulting from the Great Recession and related
16 volume declines exceeds \$6.6 billion of annual contribution.¹⁰ In comparison, the
17 increases of 6.0 percent (for the CPI case and the Exigent case combined) and
18 4.3 percent (the exigent increase alone) generate additional annual contributions
19 of \$2.36 billion and \$1.78 billion, respectively, and therefore are moderate and
20 reasonable in light of the losses from the Great Recession.¹¹ In light of the slow
21 economic recovery from the Great Recession and continued electronic diversion,
22 the Postal Service is mindful of the impact of a larger price increase on its
23 business customers and on the mailing public in general. The Postal Service is
24 concerned that the accelerated electronic diversion caused by this recession
25 could be exacerbated by an increase larger than the one proposed in this docket.

⁹ The average 1.6 percent increase includes a Special Services increase of 2.5 percent.

¹⁰ Nickerson Statement at 2-3.

¹¹ Nickerson Statement at 4.

1 A reasonable overall increase of 6 percent, as proposed in this proceeding and
2 the associated CPI case, will help keep customers in the mail and allow the
3 Postal Service to provide this vital communications tool for the nation's
4 businesses. The harm created by the Great Recession would warrant a higher
5 Exigent increase. Nevertheless, in light of pricing and policy considerations, and
6 the Postal Service's financial needs¹², the 4.3 percent across-the-board
7 adjustment is reasonable.

8 2. The across-the-board price change is equitable.

9 As shown in the following table, the burden of this 4.3 percent increase is
10 being spread equally to all classes of mail and, as much as practicable, to all
11 products and even to each rate cell, with the small exceptions discussed
12 elsewhere. Therefore, the price adjustments are clearly equitable.

13 It is evident from Table 2 above that the price increase for each class
14 rounds to 4.3 percent. There is variation in the price increases for the various
15 products because of rounding issues and/or maintaining the passthrough
16 (discount divided by cost avoidance) at the same level (if the passthrough in the
17 CPI filing was at or above 100 percent).¹³

18 Another exception that led to some variations in price increase for
19 products occurred because of the pricing for International Inbound mail, both in
20 First-Class Mail and Package Services. The prices for inbound mail are
21 determined by the Universal Postal Union ("UPU"), and the UPU-mandated

¹² See Nickerson Statement at 4-12.

¹³ Generally the resulting deviation from 4.3 percent were very small, but for First-Class Mail Flats, Bound Printed Matter Flats, and some special services, rounding and passthrough adjustments created a more substantial deviation.

1 increase was applied in the CPI filing for all inbound international mail on the
2 market dominant side. No further increase can be added as an exigent increase
3 in this docket. Apart from these exceptions, the Postal Service proposal for this
4 exigent filing has kept the price increase across the board even to the level of
5 each individual price cell.

6 The price increase variations for the various Special Services are solely
7 due to rounding constraints. For Special Services, in some cases, the rounding is
8 to the nearest nickel. By contrast, most bulk price cells are rounded to the tenth
9 of a cent.

10 In this statement, the term “overall increase” is used for the increase in
11 prices resulting from both the CPI case (Docket No. 2013-10) and the proposed
12 Exigent increase of 4.3 percent in this docket. The overall price increase for each
13 class of mail is approximately 6 percent, with the exception of Special Services,
14 which will be discussed below. The third column of Table 2 above provides the
15 overall increases for the classes of mail and products.

16 The proposed overall increase is equitable because the classes of mail,
17 except for Special Services, bear the burden of this increase equally with prices
18 proposed to increase, on average, by 6 percent. Special Services gets a 6.9
19 percent increase because of the use of its larger base in the CPI case. Special
20 Services got an overall price reduction in Docket No. R2012-3, and received
21 another price decrease in the Priority Mail Insurance case (Docket No. R2013-7).
22 This balancing over several dockets produces an equitable result, when

1 considered in the context of all classes and products under the across-the-board
2 approach.

3 Generally, major products within these classes also increase by
4 approximately 6 percent. Most of the over 6 percent increases result from above-
5 average price increases in the CPI case to address the underwater status of
6 certain products. First-Class Mail Parcels, Standard Mail Flats and Parcels, and
7 Media and Library Mail within Package Services are above 6 percent for this
8 reason. The prices for First-Class Mail International are proposed to increase by
9 8.5 percent because the CPI increase is substantially above average, reflecting
10 the increase in inbound prices determined by the UPU. A relatively high CPI
11 price increase is justified for Every Door Direct Mail – Retail, because it is a
12 relatively new, popular mailing option. The foundation of this product is simplicity
13 and convenience; the resulting price of 17.5 cents, with its half-cent increment, is
14 consistent with this product theme. This increase results in a relatively high
15 overall increase. Address Management Services and Customized Postage
16 increase more than 7 percent because of rounding constraints.

17 **IV. Review of Price Changes by Class**

18 **A. First-Class Mail**

19
20 In the Exigent proposal, First-Class Mail prices increase by 4.281 percent.
21 The first-ounce price for a single-piece stamped letter will increase from 47 cents
22 (Docket No. R2013-10) to 49 cents while the price of additional ounces increases
23 from 20 cents to 21 cents. The following table summarizes the changes in First-
24 Class Mail prices by products:

Table 3
First-Class Mail Exigent Price Adjustments

Product	Percent Change
Single-Piece Letters & Cards	4.276
Presort Letters & Cards	4.291
Flats	4.627
Parcels	4.349
First-Class Mail International	2.393

First-Class Mail Pricing Overview

First-Class Mail, while no longer the largest class of mail in terms of volume, adds the most to revenue and contribution. The class is in the middle of a long-run volume decline. It is unlikely that the volume decline will level off or that volume growth will resume.

Single-piece First-Class Mail

The single-piece, first-ounce price, commonly known as the stamp price, is the most visible price offered by the Postal Service. As always, the choice of the stamp price reflects a careful balance of public policy considerations against the need for revenue to operate the Postal Service. Yet, despite the attention it draws, both in the public and regulatory arenas, the typical household is little affected by changes in the stamp price. A change of three cents in the stamp price, as results from the combined CPI and exigent increases, amounts to only about 30 cents per month for the typical household, which pays about \$5.00 per month for First-Class Mail.¹⁴ Also, the introduction of a metered mail price (for all indicia except stamps and Postage Validation Imprint (PVI)) in the CPI case, at a price 1 cent lower than the stamp price, will mitigate the impact of the increases

¹⁴ Based on estimates from the 2012 Household Diary Study.

1 for small businesses. The metered mail price is maintained at the current level of
2 46 cents in the CPI case, and only goes up by two cents in the Exigent filing.

3 In addition, since 2007, the Postal Service has offered the Forever Stamp,
4 which allows single piece First-Class Mail customers to minimize the potential
5 inconveniences of stamp price changes. We have expanded the Forever Stamp
6 program, and offered new stamp designs (including commemorative and holiday
7 issues).

8 *Presort Letters & Cards*

9 The average exigent increase for Presort Letters and Cards is 4.291
10 percent. The increases for price cells range from 4.1 percent to 4.8 percent. The
11 4.8 percent increase is for Mixed AADC Automation Letters. The reason for an
12 increase of this magnitude is to maintain the 100 percent passthrough that was
13 established in the CPI case. The lowest increase of 4.1 percent is for the finest
14 presort levels for both Automation Letters and Cards. Besides the Mixed AADC
15 Automation Letters, Mixed AADC and AADC Automation Cards also have slightly
16 higher increases to maintain the passthroughs established in the CPI case.

17

18 *Flats*

19

20 The Exigent increase for First-Class Mail Flats (4.6 percent) exceeds the
21 4.3 percent across the board target for two reasons. First, because of the one-
22 cent rounding constraint, the additional ounce price for single-piece flats goes up
23 to 21 cents. This is a 5 percent increase from the current 20 cents. Second, the

1 ADC, 3-Digit, and 5-Digit Automation prices exceed the 4.3 percent increase in
2 order to maintain the passthroughs established in the CPI case.

3
4 *First-Class Mail International*

5
6 All prices, except for inbound mail, were multiplied by a factor of 1.041 and
7 rounded to the nearest cent, yielding a 4.5 percent increase for Letters and
8 Cards and a 4.1 percent increase for Flats. The prices for inbound mail are
9 determined by the Universal Postal Union (“UPU”), and the UPU-mandated
10 increase was applied in the CPI filing for all inbound international mail on the
11 market dominant side. No further increase can be added as an exigent increase
12 in this docket. Since this component comprises 45 percent of the before rates
13 total revenue, it offsets the outbound increase of 4.4 percent, producing an
14 overall increase of 2.4 percent.

15
16 *Worksharing*

17
18 Workshare passthroughs for First-Class Mail have not changed in
19 comparison to the CPI case. The only exceptions arose when the workshare
20 passthrough in the CPI case was below 100 percent, and the across the board
21 increase inflated the passthrough some, but not above 100 percent.¹⁵

22 While the justifications for the above 100 percent passthroughs are
23 presented fully in the CPI filing, I will summarize them here for completeness. In

¹⁵ Only in one instance (QBRM postcards) did the passthrough decrease from 100 percent to a lower number. The passthrough for Automation AADC Letters increased from 89.7 percent to 100 percent, and the passthrough for 5-Digit Automation Letters increased from 82.1 percent to 89.3 percent. The passthrough for 5-Digit Automation Cards increased from 66.7 percent to 77.8 percent.

the CPI filing, only four passthroughs exceed 100 percent: Mixed AADC Automation Cards, AADC Automation Cards, ADC Automation Flats, and 5-Digit Automation Flats. These passthrough stay the same in the Exigent filing. They are all justified pursuant to section 3622(e)(2)(b).

B. Standard Mail

The Postal Service is proposing Exigent price changes totaling 4.3 percent for Standard Mail. The changes by product are shown in the following table.

Table 4: Standard Mail Exigent Price Adjustments

Product	Percent Change
Letters	4.259
Flats	4.283
Parcels	4.335
High Density and Saturation Letters	4.212
High Density and Saturation Flats / Parcels	4.261
Carrier Route	4.288
EDDM – Retail	4.167

Standard Mail Pricing Overview

Standard Mail volume has declined in recent years, mainly due to the difficult economic times. The Flats product has been particularly hard hit, with volume declines since 2008 exceeding 40 percent, driven by reductions in catalog mailings. These volume declines have helped to drive the Flats cost coverage down to only 80.9 percent in 2012. The Parcels product is also losing money.

1 As stated above, in this price adjustment, the Postal Service proposes to
2 give a 4.3 percent across the board increase on top of the proposed CPI prices
3 to all the products in Standard Mail. The Postal Service tried to maintain this
4 increase as close to 4.3 percent as practicable for every price cell, but a number
5 of exceptions were made due to the constraints explained below.

6 (1) Passthroughs

- 7 • Applying 4.3 percent across-the-board would increase several
8 passthroughs in Standard Mail to over 100 percent or farther above
9 100 percent, compared to the CPI case. In this event, the Postal
10 Service followed the guideline that if the passthrough became
11 worse than the CPI passthrough, then it would decrease the
12 passthrough to the level of the CPI case. Otherwise, the 4.3
13 percent increase would remain.

14 (2) Destination Entry Discounts

- 15 • Applying 4.3 percent across the board would cause a number of the
16 dropship entry discounts to vary across different presort levels. To
17 keep these dropship entry discounts across presort levels equal,
18 individual cells were changed. These cells deviate from the across
19 the board 4.3 percent increase.

20 (3) Nonprofit Discounts and Commercial Discounts

- 21 • Applying 4.3 percent across the board would lead to unequal
22 nonprofit and commercial discounts. In the CPI case (Docket No.
23 R2013-10), the Postal Service tried to keep the nonprofit discounts

1 equal to the commercial discounts, with one exception. In order to
2 maintain this equilibrium between the nonprofit and commercial
3 discounts, the Postal Service had to depart from 4.3 percent in a
4 number of cells.

5 (4) Rounding

- 6 • Due to rounding, a number of cells deviate from the 4.3 across the
7 board increase.

8 *Worksharing*¹⁶

9
10 As was noted above, the Postal Service has maintained the CPI-case
11 level of passthroughs in this price adjustment. Therefore, in this section only
12 those passthroughs that are over 100 percent are noted, with justification
13 summarized. For a detailed discussion and justifications, please refer to the
14 Postal Service's Notice in the CPI case (Docket No. R2013-10).

15 In the 2012 ACD, the Commission identified one instance in which the
16 avoided cost estimate between automation and non-automation mixed AADC
17 machinable letters was negative. The details of this anomaly are discussed in the
18 Postal Service's Notice in the CPI filing (Docket No. R2013-10).

19 In this filing, three workshare passthroughs for Standard Mail Letters
20 exceed 100 percent. The passthrough for nonmachinable ADC letters compared
21 to nonmachinable mixed ADC letters is 110.0 percent. The passthrough for
22 nonmachinable 3-digit letters compared to nonmachinable ADC letters is 114.8
23 percent. The passthrough for nonmachinable 5-digit letters compared to

¹⁶ All citations for discounts or passthroughs in this statement can be found in Appendix A.

1 nonmachinable 3-digit letters is 120.8 percent. These passthroughs are justified
2 by exception 3622(e)(2)(b).

3 The Flats product has two passthroughs that exceed 100 percent, the
4 nonautomation 5-digit flats discount and the prebarcoding discount. The
5 nonautomation 5-digit flats passthrough is justified by exception 3622(e)(2)(b),
6 while the prebarcoding passthrough is justified by exception 3622(e)(2)(d).

7 Three worksharing passthroughs for Standard Mail Parcels exceed 100
8 percent: (1) NDC irregular parcels compared to mixed NDC irregular parcels, (2)
9 NDC Marketing Parcels compared to mixed NDC Marketing Parcels, and (3) SCF
10 Marketing Parcels compared to NDC Marketing Parcels. The nonbarcoded
11 surcharge also exceeds the avoided costs of prebarcoding in the parcels cost
12 model. These passthroughs are justified by exception 3622(e)(2)(d).

13 Furthermore, the Postal Service was able to keep commercial and
14 nonprofit discounts equal to each other.

15 **C. Periodicals**

16 This price adjustment increases Periodicals prices by an average of 4.3
17 percent overall. The breakdown of the price change by product and major
18 category is shown in the following table.

19
20 Table 5: Periodicals Exigent Price Adjustments
21

Product	Percent Change
Outside County	4.297
Within County	4.306

22

1 *Periodicals Pricing Overview*

2
3 All prices relating to Outside County pounds, bundles and containers are
4 increased by 4.3 percent. The only deviations result from rounding. Outside
5 County piece prices deviate from 4.3 percent in order to maintain the workshare
6 passthroughs at the level resulting from the CPI change.

7 Within County prices are all increased by 4.3 percent. Deviations occur
8 due to rounding.

9 *Worksharing*

10
11 For Outside County, all passthroughs, with two exceptions, remain at the
12 same level as established in the CPI case (or went down). The two
13 passthroughs that are slightly higher in this filing are for 5-Digit Automation
14 Machinable Flats and 3-Digit Automation Nonmachinable Flats. Other
15 passthroughs that exceed 100 percent are Nonautomation Nonmachinable ADC
16 Flat, ADC Automation Letters, 3-Digit Nonautomation Nonmachinable Flats,
17 Automation 3-Digit Letters, 5-Digit Nonautomation Machinable, 5-Digit
18 Automation Letters, and Carrier Route High Density.

19 The Postal Service justifies all of these discounts pursuant to Section
20 3622(e)(2)(C). Periodicals as a class consists solely of mail that has ECSI value
21 so it qualifies for the exception to the requirement in 3622(e) that workshare
22 discounts not exceed avoided costs.

1 **D. Package Services**

2 The Postal Services is requesting price changes for Package Services
3 products that yield an overall increase of 4.3 percent. The following table shows
4 the price changes for each of Package Services' five products.

5 Table 6: Package Services Exigent Price Adjustments
6

Product	Percent Change
Alaska Bypass	4.232
Bound Printed Matter Flats	4.626
Bound Printed Matter Parcels	4.484
Media Mail / Library Mail	4.304
Inbound Surface Parcel Post (at UPU Prices)	0.000

7

8 *Package Services Pricing Overview*

9 Prices are increased by 4.3 percent as consistently as possible at the rate
10 cell level while adhering to the following constraints. (1) No workshare
11 passthroughs at or below 100 percent were raised to levels above 100 percent.
12 (2) Any workshare passthroughs already above 100 percent would not be
13 increased further above 100 percent. (3) Historical rounding constraints for price
14 changes would be followed. (4) Lastly Inbound Surface Parcel prices could not
15 be increased at all because these prices are set by the Universal Postal Union
16 and not the Postal Service. Once these constraints were imposed, the
17 percentage increase for all other price cells was set at 4.220 percent to produce
18 an overall price increase of 4.3 percent.

19
20
21
22
23

1 *Alaska Bypass*

2

3 Alaska Bypass has only two changeable price cells: Zone 1&2 - 70 pound
4 parcel and Zone 3 - 70 pound parcel. These two cells are increased by 4.220
5 percent.

6

7 *Bound Printed Matter Flats*

8

9 The BPM Flats product have worksharing constraints applied to the DNDC
10 per piece discounts, which already have 100 percent passthroughs and could not
11 be raised further. The DDU per piece discounts were constrained because a 4.3
12 percent increase would have raised passthroughs to above 100 percent. Thus,
13 the DDU per piece discounts were instead raised to the level at which the
14 passthroughs reached 100 percent. As a result of maintaining these
15 passthroughs at 100 percent, the overall price increase is 4.626 percent.

16

17 *Bound Printed Matter Parcels*

18

19 The BPM Parcels product also had worksharing constraints for the DNDC
20 per piece discounts, which already have 100 percent passthroughs and could not
21 be raised further. The DDU per piece discounts were constrained because a 4.3
22 percent increase would have raised passthroughs above 100 percent. Thus, the
23 DDU per piece discounts were instead raised to the level at which the
24 passthroughs reached 100 percent. As a result of leaving these passthroughs at
25 100 percent, the overall price increase is 4.484 percent.

26

1 *Media Mail*

2
3 Media Mail (including Library Mail) has a single workshare item needing
4 constraint: the 5-digit presort per piece discount. The passthrough on this
5 discount is 130 percent of avoided costs and could not be raised further. The
6 resulting price increase for Media Mail and Library Mail is 4.303 percent. Under
7 the statute, Library Mail prices are limited to 95 percent of Media Mail prices.

8
9 *Inbound Surface Parcel Post at Universal Postal Union (UPU) Rates*

10
11 This product is not priced by the Postal Service. Instead, its prices are set
12 for each calendar year by the UPU. At the time this price adjustment was filed,
13 the Postal Service did not know what prices the UPU would set for Calendar
14 Year 2014. Therefore, an estimated price was used for the CPI filing (Docket No.
15 R2013-10). The Postal Service is unable to increase prices for Inbound Surface
16 Parcels in this exigent price increase. Consequently, no increases for this
17 product are specified by the Postal Service in this filing.¹⁷

18
19 *Worksharing*

20
21 In the 2012 ACD, the Commission found four Package Services
22 workshare discounts that exceeded avoided costs.¹⁸ In the CPI price filing, the
23 Postal Service has reduced the passthroughs for the DNDC dropship discounts
24 to 100 percent. These passthroughs were left at 100 percent in this exigent price
25 adjustment. The only discounts that exceed avoided costs in this price
26 adjustment are the 5-digit presort discounts for Media Mail and Library Mail. In

¹⁷ For purposes of reference, the CY 2010 weighted average increase was 3.65 percent.

¹⁸ These were the DNDC dropship discounts for BPM Flats and for BPM Parcels, the 5-digit Presort discount for Media Mail and the 5-digit Presort discount for Library Mail.

previous price adjustments, and here, the Postal Service has justified these discounts using sections 3622(e)(2)(B) and 3622(e)(2)(C). Also, Media Mail and Library Mail both consist exclusively of content with ECSI value, so the passthroughs that exceed 100 percent also can be justified pursuant to the ECSI exception, section 3622(e)(2)(C).

E. Special Services

Special Services Pricing Overview

The overall percentage change for Special Services is 4.3 percent. The prices for all special services are increased as close to 4.3 percent as is practicable, given the rounding constraints. This was accomplished by increasing each price by 4.3 percent, then rounding that value to the nearest historical rounding constraint value. As a result and as shown below, some prices increase by more than 4.3 percent and some prices by less.

Table 7: Special Services Exigent Price Adjustments

Product	Percent Change
Ancillary Services	4.4
International Ancillary Services	4.2
Address Management Services	3.5
Caller Service	4.3
Credit Card Authentication	5.0
International Business Reply Mail Service	2.8
Money Orders	4.0
Post Office Box Service	4.2
Customized Postage	4.3
Stamp Fulfillment Services	5.0

1 **V. Objectives and Factors—Rule 3010.14(b)(7)**

2
3 In compliance with Rules 3010.14(b)(7) through (8), in this section the
4 Postal Service discusses 1) how its planned prices “help achieve” the objectives
5 of section 3622(b) and “properly take into account” the factors of section 3622(c);
6 and 2) how its planned prices are consistent with sections 3626, 3627, and 3629.

7 The objectives of section 3622(b) are as follows:

8 “(b) Objectives—Such system shall be designed to achieve the following
9 objectives, each of which shall be applied in conjunction with the others:

10 (1) To maximize incentives to reduce costs and increase efficiency.

11 (2) To create predictability and stability in rates.

12 (3) To maintain high quality service standards established under section
13 3691.

14 (4) To allow the Postal Service pricing flexibility.

15 (5) To assure adequate revenues, including retained earnings, to maintain
16 financial stability.

17 (6) To reduce the administrative burden and increase the transparency of
18 the ratemaking process.

19 (7) To enhance mail security and deter terrorism.

20 (8) To establish and maintain a just and reasonable schedule for rates and
21 classifications, however the objective under this paragraph shall not be
22 construed to prohibit the Postal Service from making changes of unequal
23 magnitude within, between, or among classes of mail.

1 (9) To allocate the total institutional costs of the Postal Service
2 appropriately between market-dominant and competitive products.”¹⁹

3
4 These objectives underlie Congress’ mandate that there be a new,
5 “modern system for regulating rates and classes for market-dominant products,”
6 to replace the prior system of the Postal Reorganization Act (PRA). These
7 principles are largely achieved through the design of the new regulatory system
8 itself, rather than through the particulars of any one pricing change made
9 pursuant to that system.

10 In this Request, the Postal Service is utilizing one of the provisions of the
11 PAEA that grants additional pricing flexibility in extraordinary and exceptional
12 circumstances to help ensure that it has the revenues to provide the kinds of high
13 quality postal services envisioned in the Act (Objectives 3, 4, 5).

14 This filing follows the Commission’s rules for exigent price changes and
15 provides information beyond what is normally filed in a price change notice.
16 Moreover the Postal Service is making officials available to respond to questions
17 from the Commission at a public hearing. In this Request, the Postal Service
18 demonstrates how its planned price adjustments comply with the workshare
19 standards of section 3622(e) and with the requirements of section 3626. These
20 actions clearly meet the objective that the pricing process be transparent
21 (Objective 6).

¹⁹ For ease of reference, each objective is referred to according to its placement in section 3622(b). For example, section 3622(b)(1) is referred to as Objective 1. A similar convention is used with respect to the “factors” of section 3622(c) below.

1 While the Postal Service will be requesting prices that exceed the CPI
2 change since the last adjustment, the Postal Service has restrained the size of
3 the requested increases, rather than relying solely on pricing to remedy all of the
4 harm from volume losses, or to close its overall financial gap. It has also
5 restrained many of its price increases to a narrow range around the respective
6 average class increases (Objective 2).

7 In addition to the objectives specified and discussed above, section
8 3622(c) enumerates fourteen factors, or considerations, that must be taken into
9 account, which are as follows:

10 “(c) Factors—In establishing or revising such system, the Postal
11 Regulatory Commission shall take into account—

12 (1) the value of the mail service actually provided each class or type of
13 mail service to both the sender and the recipient, including but not limited
14 to the collection, mode of transportation, and priority of delivery;

15 (2) the requirement that each class of mail or type of mail service bear the
16 direct and indirect postal costs attributable to each class or type of mail
17 service through reliably identified causal relationships plus that portion of
18 all other costs of the Postal Service reasonably assignable to such class
19 or type;

20 (3) the effect of rate increases upon the general public, business mail
21 users, and enterprises in the private sector of the economy engaged in the
22 delivery of mail matter other than letters;

1 (4) the available alternative means of sending and receiving letters and
2 other mail matter at reasonable costs;

3 (5) the degree of preparation of mail for delivery into the postal system
4 performed by the mailer and its effect upon reducing costs to the Postal
5 Service;

6 (6) simplicity of structure for the entire schedule and simple, identifiable
7 relationships between the rates or fees charged the various classes of
8 mail for postal services;

9 (7) the importance of pricing flexibility to encourage increased mail volume
10 and operational efficiency;

11 (8) the relative value to the people of the kinds of mail matter entered into
12 the postal system and the desirability and justification for special
13 classifications and services of mail;

14 (9) the importance of providing classifications with extremely high degrees
15 of reliability and speed of delivery and of providing those that do not
16 require high degrees of reliability and speed of delivery;

17 (10) the desirability of special classifications for both postal users and the
18 Postal Service in accordance with the policies of this title, including
19 agreements between the Postal Service and postal users, when available
20 on public and reasonable terms to similarly situated mailers, that—

21 (A) either—

(i) improve the net financial position of the Postal Service through reducing Postal Service costs or increasing the overall contribution to the institutional costs of the Postal Service; or
(ii) enhance the performance of mail preparation, processing, transportation, or other functions; and
(B) do not cause unreasonable harm to the marketplace.

(11) the educational, cultural, scientific, and informational value to the recipient of mail matter;

(12) the need for the Postal Service to increase its efficiency and reduce its costs, including infrastructure costs, to help maintain high quality, affordable postal services;

(13) the value to the Postal Service and postal users of promoting intelligent mail and of secure, sender-identified mail; and

(14) the policies of this title as well as such other factors as the Commission determines appropriate.”

Below, the Postal Service discusses how the Exigent price adjustments for each class comply with the policy considerations set forth in section 3622.²⁰

A. First-Class Mail

In the Exigent proposal, the First-Class Mail first-ounce letter prices (Stamped and Metered) are both being increased by two cents (4.3 percent).

²⁰ Workshare discounts, which implicate Factor 5 and Factor 12, are discussed extensively in each class’ pricing section. .

1 These increases equal the overall increase for First-Class Mail. For simplicity,
2 these prices are set in whole cents (Factor 6).

3 The Mail Classification Schedule (MCS) establishes the shapes within
4 First-Class Mail as distinct products. This price change widens the effective per-
5 piece differential between letters and flats, and between letters and parcels
6 (Factor 1, Factor 2). As in the previous price adjustment, the Postal Service has
7 set the first-ounce price for a single piece flat at twice the stamp rate. This further
8 enhances the convenience and simplicity of the pricing structure for customers
9 (Factor 6).

10 The prices in Presort Letters / Postcards reflect the costs that the Postal
11 Service avoids when customers presort and otherwise prepare their mail for
12 automation processing (Factor 5). Most commercial customers are actively
13 seeking cost reductions that may result in decisions to adopt electronic and other
14 mail alternatives. While the proposed prices for this product reflect an average
15 increase, 5-Digit Automation Letters and 5-Digit Automation Cards have the
16 lowest increases of all Presort prices, to help forestall some of these decisions
17 and maintain automation letter and card volumes (Factor 4, Factor 7).

18
19

B. Standard Mail

20 Standard Mail receives an overall Exigent increase of 4.3 percent. Two of
21 the six Standard Mail products failed to cover their attributable costs in FY 2012:
22 Standard Mail Flats and Standard Mail Parcels. In this price adjustment, the
23 Postal Service addresses both of these products the same (Objective 4, Factor
24 7). For Standard Mail Parcels, the Postal Service continues its practice

1 announced several years ago of adjusting parcels prices to move toward full cost
2 coverage for this product (Factor 2), recognizing that these parcels are
3 underpriced in the marketplace compared to competitors' offerings (Factor 4).
4 The pricing for parcels is also a further step in the Postal Service's ongoing
5 harmonization of all of its parcels offerings (Factor 6).

6 Standard Mail Flats also failed to cover its costs in FY2012. The Postal
7 Service believes that a 4.3 percent average increase will help this product move
8 towards full cost coverage (Factor 3).

9
10

C. Periodicals

11 Factor 11 allows for the consideration of the educational, cultural, scientific
12 and informational value of the mail matter. Periodicals consist entirely of such
13 matter, and its pricing reflects this content (Factor 11).

14
15

D. Package Services

16 The Package Services class consists of five products: Alaska Bypass,
17 Bound Printed Matter Flats, Bound Printed Matter Parcels, Media Mail (including
18 Library Mail), and Inbound Surface Parcel Post (at UPU rates). In FY 2012 only
19 Media Mail failed to cover its attributable costs.

20 Factor 11 allows for the consideration of the educational, cultural, scientific
21 and informational value of the mail matter. Media Mail, including Library Mail,
22 consists entirely of such matter, and their pricing reflects this content (Factor 11).

23 The Exigent price adjustment continues the shape-based differentiation of
24 BPM Flats and BPM Parcels. Because of their favorable cost characteristics,

1 BPM Flats have lower unit costs than BPM Parcels. In recent price changes, the
2 Postal Service has begun to recognize these cost characteristics by giving BPM
3 Flats lower overall increases. By continuing to restrain the increase for BPM Flats
4 the Postal Service hopes to spur additional volume growth for this profitable
5 product (Factor 7).

6 7 **E. Special Services**

8 The overall Exigent fee increase for all Special Services is 4.3 percent.
9 For all of the Special Services, fee increases were generally designed to be close
10 to the overall class percentage, while maintaining consistency with historical
11 rounding constraints, which can simplify transactions for customers (Factor 3,
12 Factor 6).

13 14 15 **VI. Preferred Mail—Rule 3010.14(b)(8)**

16 Section 3626 sets forth pricing requirements for certain preferred
17 categories of mail. In this price change, the Postal Service implements these
18 requirements in the same manner as it did in its Docket No. R2013-1 price
19 change, which the Commission approved in Order No. 1541.²¹

20 First, section 3626(a)(3) requires that the prices for Within County
21 Periodicals “reflect[] its preferred status” as compared to the prices for regular
22 rate Periodicals. This price adjustment continues to recognize the preferential
23 status of Within County Periodicals, whose prices are well below those of
24 Outside County Periodicals.

²¹ See Order No. 1541, at 1-2.

1 Second, section 3626(a)(4)(A) requires that Nonprofit and Classroom
2 Periodicals receive, as nearly as practicable, a 5 percent discount from regular
3 rate postage, except for advertising pounds. Consistent with previous practice,
4 the Postal Service maintains this rate preference by giving Nonprofit and
5 Classroom pieces a 5 percent discount on all components of postage except
6 advertising pounds and ride-along postage.

7 Third, section 3626(a)(5) requires that Science of Agriculture Periodicals
8 be given preferential treatment for its advertising pounds. Consistent with past
9 practice, the Postal Service continues to provide these publications with
10 advertising pound rates for DDU, DSCF, DADC, and Zones 1 & 2 that are 75
11 percent of the advertising pound rates applicable to regular Periodicals.

12 Fourth, section 3626(a)(6) requires that Nonprofit Standard Mail prices be
13 set to achieve an average revenue per piece that is 60 percent of the commercial
14 average revenue per piece. Consistent with the Postal Service's practice in
15 Docket Nos. R2013-1, the Postal Service has calculated this ratio at the class
16 level. The prices set forth in this Notice achieve a revenue per piece ratio of 60.1
17 percent. Details of the nonprofit-commercial revenue per piece ratio are
18 contained in USPS-R2010R-4/2 Standard Mail Worksheets R2010-4.xls,
19 worksheet "Price Change Summary."

20 Fifth, section 3626(a)(7) requires that the prices for Library Mail be equal,
21 as nearly as practicable, to 95 percent of the prices for Media Mail. This is
22 achieved by setting each Library Mail price element equal to 95 percent of the

1 corresponding Media Mail price element. The Postal Service has followed this
2 approach in setting its new prices.

3 Finally, section 3626(g)(4) requires that preferential treatment be accorded
4 to the Outside County pieces of a Periodicals publication having fewer than 5,000
5 Outside County pieces, and at least one Within County piece. In conformance
6 with this requirement, the Postal Service implemented a “limited circulation”
7 discount in 2008, which gives these mailers a discount equivalent to the
8 Nonprofit and Classroom Periodicals discount.

9 In addition to a discussion of section 3626, Rule 3010.14(b)(8) also
10 requires the Postal Service to discuss how its planned prices are consistent with
11 sections 3627 and 3629. Neither section is implicated by this price change: the
12 Postal Service does not seek to alter the free rates (section 3627); and the Postal
13 Service does not change the eligibility requirements for nonprofit prices (section
14 3629).

15 16 **VII. Conclusion**

17 The Postal Service finds itself in extraordinary and exceptional financial
18 circumstances. Because of contribution losses associated with volume lost as a
19 result of the Great Recession, price increases that exceed what would otherwise
20 be allowable under the price cap are needed to aid the restoration of the Postal
21 Service’s financial health. Despite this need, the Postal Service has determined
22 that the way forward out of its financial difficulties must not rest solely on price
23 increases.

1 The Postal Service has determined that an across-the-board Exigent price
2 increase of 4.3 percent reasonably balances the impacts on our customers with
3 our own need for additional revenues. This approach results in an equitable
4 sharing of the burden of this Exigent price request.

5 The Postal Service's price changes take a long-term view, and do not
6 attempt to fix the problems quickly, heedless of the consequences of sharp price
7 changes. The proposal also does not try to resolve all of the Postal Service's
8 financial difficulties using pricing. Instead, the Postal Service's price changes are
9 balanced. They balance the impacts on our customers with our need for
10 additional revenue following the volume losses caused by the Great Recession.
11 The Postal Service's pricing changes are both reasonable and equitable, and
12 comply with all the PAEA requirements.

APPENDIX A

WORKSHARE DISCOUNTS TABLES

Workshare Discounts and Benchmarks--Single Piece Letters and Postcards

Type of Worksharing	Benchmark	Discount[1]	Avoided Cost[2]	Passthrough
First-Class Mail Single Piece Letters				
Qualified Business Reply Mail				
Barcoding				
QBRM	Handwritten Reply Mail	\$0.017	\$0.017	100.0%
First-Class Mail Single Piece Postcards				
Qualified Business Reply Mail				
Barcoding				
QBRM	Handwritten Reply Cards	\$0.014	\$0.017	82.4%

Notes

- [1] Source of Discounts: Docket No. R2010-4R, Renewed Exigent Request, Attachment A, Schedule 1105
Discounts are calculated by subtracting the price in question from the benchmark price
- [2] QBRM Cost Differences--Source: ACD Fiscal Year 2012, Table VII-2 - First-Class Mail Letters, Workshare Discounts and Benchmarks, Page 83

Workshare Discounts and Benchmarks--First-Class Mail Bulk Letters and Postcards

Type of Worksharing	Benchmark	Discount[1]	Avoided Cost[2]	Passthrough
First-Class Mail Bulk Letters--Automation				
Barcoding & Presorting (\$ / piece)				
Automation Mixed AADC Letters	Metered Letters	\$0.045	\$0.045	100.0%
Automation AADC Letters	Automation Mixed AADC Letters	\$0.029	\$0.029	100.0%
Automation 3-digit Letters	Automation AADC Letters	\$0.000	\$0.006	0.0%
Automation 5-digit Letters	Automation 3-digit Letters	\$0.025	\$0.028	89.3%
First-Class Mail Bulk Letters--Nonautomation				
Barcoding (\$ / piece)				
Nonautomation Presort Letters	Bulk Metered Mail (BMM) Letters	\$0.020	\$0.063	31.7%
First-Class Mail Bulk Cards--Automation				
Barcoding & Presorting (\$ / piece)				
Automation Mixed AADC Cards	Nonautomation Presort Cards	\$0.015	\$0.011	136.4%
Automation AADC Cards	Automation Mixed AADC Cards	\$0.013	\$0.010	130.0%
Automation 3-digit Cards	Automation AADC Cards	\$0.000	\$0.003	0.0%
Automation 5-digit Cards	Automation 3-digit Cards	\$0.014	\$0.018	77.8%

Notes

- [1] Source of Discounts: Docket No. R2010-4R, Renewed Exigent Request, Attachment A, Schedule 1110
Discounts are calculated by subtracting the price in question from the benchmark price
- [2] Cards Presorting and Pre-barcoding Cost Differences--Source: ACD Fiscal Year 2012, Table VII-3 - First-Class Mail Cards Workshare Discounts and Benchmarks, Page 86

Workshare Discounts and Benchmarks--First-Class Mail Flats

Type of Worksharing	Benchmark	Discount[1]	Avoided Cost[2]	Passthrough
First-Class Mail Flats--Automation				
Barcoding & Presorting (\$ / piece)				
Automation ADC Flats	Automation Mixed ADC Flats	\$0.091	\$0.081	112.3%
Automation 3-digit Flats	Automation ADC Flats	\$0.057	\$0.057	100.0%
Automation 5-digit Flats	Automation 3-digit Flats	\$0.183	\$0.154	118.8%

Notes

- [1] Source of Discounts: Docket No. R2010-4R, Renewed Exigent Request, Attachment A, Schedule 1115
Discounts are calculated by subtracting the price in question from the benchmark price
- [2] Flats Presorting and Pre-barcoding Cost Differences--Source: ACD Fiscal Year 2012, March 28, 2013, FY2012 FCM_Prst_Flats_PRC2.xls

Workshare Discounts and Benchmarks
Periodicals Outside County Mail

Type of Worksharing	Price ⁽¹⁾ (\$)	Mail Processing Cost for Column C Item ⁽²⁾ (\$)	Delivery Cost for Column C Item ⁽³⁾ (\$)	Benchmark	Benchmark Price ⁽¹⁾ (\$)	Mail Processing Cost for Column G Item ⁽²⁾ (\$)	Delivery Cost for Column G ⁽³⁾ (\$)	Mail Processing Cost Difference ⁽⁴⁾ (\$)	Delivery Cost Difference ⁽⁵⁾ (\$)	Avoided Cost ⁽⁶⁾ (\$)	Discount / (Surcharge) ⁽⁷⁾ (\$)	Passthrough ⁽⁸⁾ (%)
Presorting (dollars / piece)												
Machinable Nonautomation ADC Flats	0.444	0.245	0.158	Machinable Nonautomation MADC Flats	0.481	0.300	0.158	0.055	0.000	0.055	0.037	67.3%
Machinable Nonautomation 3D/SCF Flats	0.425	0.206	0.158	Machinable Nonautomation ADC Flats	0.444	0.245	0.158	0.039	0.000	0.039	0.019	48.7%
Machinable Nonautomation 5D Flats	0.321	0.117	0.158	Machinable Nonautomation 3D/SCF Flats	0.425	0.206	0.158	0.089	0.000	0.089	0.104	116.9%
CR Basic	0.205	0.024	0.109	Machinable Nonautomation 5D Flats	0.321	0.117	0.158	0.093	0.049	0.142	0.116	81.7%
High Density	0.172	N/A	0.093	CR Basic	0.205	0.024	0.109		0.016	0.016	0.033	206.3%
Saturation	0.146	N/A	0.052	High Density	0.172	-	0.093		0.041	0.041	0.026	63.4%
Machinable Automation ADC Flats	0.418	0.221	0.158	Machinable Automation MADC Flats	0.447	0.270	0.158	0.049	0.000	0.049	0.029	59.2%
Machinable Automation 3D/SCF Flats	0.401	0.187	0.158	Machinable Automation ADC Flats	0.418	0.221	0.158	0.034	0.000	0.034	0.017	50.0%
Machinable Automation 5D Flats	0.308	0.106	0.158	Machinable Automation 3D/SCF Flats	0.401	0.187	0.158	0.081	0.000	0.081	0.093	114.8%
Nonmachinable Nonauto ADC Flats	0.553	0.323	0.158	Nonmachinable Nonauto MADC Flats	0.675	0.413	0.158	0.090	0.000	0.090	0.122	135.6%
Nonmachinable Nonauto 3D/SCF Flats	0.474	0.304	0.158	Nonmachinable Nonauto ADC Flats	0.553	0.323	0.158	0.019	0.000	0.019	0.079	415.8%
Nonmachinable Nonauto 5D Flats	0.336	0.174	0.158	Nonmachinable Nonauto 3D/SCF Flats	0.474	0.304	0.158	0.130	0.000	0.130	0.138	106.2%
Nonmachinable Automation ADC Flats	0.521	0.307	0.158	Nonmachinable Automation MADC Flats	0.625	0.412	0.158	0.105	0.000	0.105	0.104	99.0%
Nonmachinable Automation 3D/SCF Flats	0.456	0.300	0.158	Nonmachinable Automation ADC Flats	0.521	0.307	0.158	0.007	0.000	0.007	0.065	928.6%
Nonmachinable Automation 5D Flats	0.335	0.170	0.158	Nonmachinable Automation 3D/SCF Flats	0.456	0.300	0.158	0.130	0.000	0.130	0.121	93.1%
Pre-barcoding (dollars / piece)												
Machinable Automation MADC Flats	0.447	0.270	0.158	Machinable Nonautomation MADC Flats	0.481	0.300	0.158	0.030	0.000	0.030	0.034	113.3%
Nonmachinable Automation MADC Flats	0.625	0.412	0.158	Nonmachinable Nonauto MADC Flats	0.675	0.413	0.158	0.001	0.000	0.001	0.050	5000.0%
Presorting Automation Letters (dollars/piece) ⁽⁹⁾												
ADC Automation Letter	0.308	0.064	0.049	Mixed ADC Automation Letter	0.348	0.082	0.051	0.018	0.002	0.021	0.040	190.5%
3-Digit Automation Letter	0.286	0.060	0.049	ADC Automation Letter	0.308	0.064	0.049	0.004	0.000	0.004	0.022	550.0%
5-Digit Automation Letter	0.221	0.042	0.047	3-Digit Automation Letter	0.286	0.060	0.049	0.018	0.002	0.020	0.065	325.0%

Notes:

[1] Source of Discounts: Docket No. R2010-4R, Renewed Exigent Request, Attachment A

[2] Source of Mail Processing Costs: USPS-FY12-11.PER.Rev010713.xls

Tab: 'SUMMARY,' Table 'CRA Controlled Direct Piece Costs by Bundle Level, Barcode Status, and Machinability.'

[3] Source USPS-FY12-19, Workbook UDCModel.xls, Tab Table 1, USPS-FY12-1 Tab Volume1, USPS-FY12-2, Tabs, CS06, CS07, and CS10

Carrier Route delivery costs without DALs are used.

[4] Mail Processing Cost Difference (Column I - Column E).

[5] Delivery Cost Difference (Column J - Column F)

[6] Avoided cost in Column M is the sum of Columns K and L.

[7] Discounts are calculated by subtracting the price for the line item in column C (which is given in column D) from the benchmark price for the line item in column G (which is given in column H).

[8] The passthrough percentage in column O is the Discount (column N) divided by Avoided Cost (column M).

[9] Letters Cost Avoidance: ACD FY2012, Table VII-20, Page 120

Periodicals Bundle and Container Pricing^[1]

Bundle Pricing by Container Level					Pallet Pricing by Entry Point				
Container Level	Bundle Level	Price ^[2]	Bottom-up Cost ^[3]	Price as Percent of Cost	Pallet Level	Entry Point	Price	Bottom-up Cost	Price as Percent of Cost
Mixed ADC	MADC	\$0.085	\$0.194	43.7%	Mixed ADC	OSCF	\$3.824	\$42.635	9.0%
	ADC	\$0.225	\$0.517	43.5%		OADC	\$3.824	\$24.449	15.6%
	3-D/SCF	\$0.299	\$0.697	42.9%		ONDC	\$3.824	\$42.635	9.0%
	FSS Scheme	\$0.299							
	5-D	\$0.310	\$0.754	41.1%	ADC	OSCF	\$36.415	\$68.281	53.3%
ADC	CR	\$0.438				OADC	\$36.415	\$60.497	60.2%
	Firm Bundle	\$0.201	\$0.897	22.4%		OBMC	\$36.415	\$53.269	68.4%
						DBMC	\$25.125	\$42.635	58.9%
						DADC	\$13.908	\$24.449	56.9%
	ADC	\$0.125	\$0.294	42.5%	3-D/SCF				
	3-D/SCF	\$0.207	\$0.475	43.6%		OSCF	\$43.135	\$70.832	60.9%
	FSS Scheme	\$0.207				OADC	\$43.135	\$63.048	68.4%
	5-D	\$0.223	\$0.521	42.8%		OBMC	\$43.135	\$55.821	77.3%
	CR	\$0.353	\$0.730	48.3%		DBMC	\$26.695	\$45.187	59.1%
3-D/SCF	Firm Bundle	\$0.167	\$0.717	23.3%		DADC	\$23.218	\$41.935	55.4%
						DSCF	\$12.449	\$23.303	53.4%
	3-D/SCF	\$0.143	\$0.292	49.0%	FSS Facility				
	FSS Scheme	\$0.143				OSCF	\$43.135	\$70.832	60.9%
	5-D	\$0.163	\$0.326	50.0%		OADC	\$43.135	\$63.048	68.4%
5-D/CR	CR	\$0.313	\$0.522	59.9%		OBMC	\$43.135	\$55.821	77.3%
	Firm Bundle	\$0.154	\$0.519	29.7%		DBMC	\$26.695	\$45.187	59.1%
						DADC	\$23.218	\$41.935	55.4%
	5-D	\$0.157	\$0.292	53.8%		DSCF	\$12.449	\$23.303	53.4%
	CR	\$0.165	\$0.274	60.2%	FSS Scheme				
Est. Cost	Firm Bundle	\$0.086	\$0.284	30.3%		OSCF	\$43.135	\$60.814	70.9%
	FSS Facility	\$0.143				OADC	\$43.135	\$53.030	81.3%
	FSS Scheme	\$0.143				OBMC	\$43.135	\$45.803	94.2%
						DBMC	\$26.695	\$35.169	75.9%
						DADC	\$23.218	\$31.918	72.7%
Sack Pricing by Entry Point									
Sack Level									
Mixed ADC	Entry Point	Price	Bottom-up Cost	Price as Percent of Cost	5-D/CR	DSCF	\$12.449	\$13.285	93.7%
	OSCF	\$0.481	\$2.706	17.8%		OSCF	\$56.538	\$87.131	64.9%
	OADC	\$0.481	\$2.085	23.1%		OADC	\$56.538	\$79.347	71.3%
	ONDC	\$0.481	\$3.200	15.0%		OBMC	\$56.538	\$72.120	78.4%
						DBMC	\$35.781	\$61.486	58.2%
ADC	OSCF	\$2.260	\$5.250	43.0%		DADC	\$33.872	\$58.234	58.2%
	OADC	\$2.260	\$4.995	45.2%		DSCF	\$22.881	\$39.602	57.8%
	OBMC	\$2.260	\$4.139	54.6%		DDU	\$1.795	\$2.968	60.5%
	DBMC	\$1.580	\$3.200	49.4%					
	DADC	\$0.903	\$2.085	43.3%					
3-D/SCF	OSCF	\$2.371	\$5.376	44.1%					
	OADC	\$2.371	\$5.121	46.3%					
	OBMC	\$2.371	\$4.265	55.6%					
	DBMC	\$1.694	\$3.326	50.9%					
	DADC	\$1.355	\$3.232	41.9%	FSS Facility				
FSS Facility	DSCF	\$0.903	\$2.085	43.3%		OSCF	\$2.371	\$5.376	44.1%
						OADC	\$2.371	\$5.121	46.3%
						OBMC	\$2.371	\$4.265	55.6%
						DBMC	\$1.694	\$3.326	50.9%
						DADC	\$1.355	\$3.232	41.9%
FSS Scheme	DSCF	\$0.903	\$2.085	43.3%		DSCF	\$0.903	\$2.085	43.3%
						OSCF	\$2.371	\$5.376	44.1%
						OADC	\$2.371	\$5.121	46.3%
						OBMC	\$2.371	\$4.265	55.6%
	OSCF	\$2.371	\$5.376	44.1%		DBMC	\$1.694	\$3.326	50.9%
	OADC	\$2.371	\$5.121	46.3%		DADC	\$1.355	\$3.232	41.9%
	OBMC	\$2.371	\$4.265	55.6%		DSCF	\$0.903	\$2.085	43.3%
	DBMC	\$1.694	\$3.326	50.9%	5-D/CR				
	DADC	\$1.355	\$3.232	41.9%		OSCF	\$3.047	\$5.992	50.9%
5-D/CR	DSCF	\$0.903	\$2.085	43.3%		OADC	\$3.047	\$5.737	53.1%
						OBMC	\$3.047	\$4.881	62.4%
						DBMC	\$2.258	\$3.942	57.3%
						DADC	\$1.919	\$3.848	49.9%
						DSCF	\$1.468	\$2.855	51.4%
						DDU	\$1.016	\$2.325	43.7%

Notes

[1]

Based on Docket No. R2006-1, PRC-LR-14. Outside County Periodicals bundle and container rates

were developed by passing through part of the respective costs, not cost differentials.

[2] Source of Bundles & Container Prices: Docket No. R2010-4R, Renewed Exigent Request, Attachment A, Schedule 1310

[3] Bundle & Container Cost --USPS-FY12-11 PER AltProp9 Rev010713 Tab Summary

Workshare Discounts and Benchmarks--Periodicals Within County Mail

Type of Worksharing	Benchmark	Discount / (Surcharge) ^[1]	Avoided Cost ^[2]	Passthrough
Periodicals Within County Mail				
Presorting (dollars / piece)				
3-Digit Presort	Basic Presort	\$0.012	\$0.034	35.3%
5-Digit Presort	3-Digit Presort	\$0.014	\$0.115	12.2%
CR Basic	5-Digit Presort	\$0.050	\$0.158	31.6%
High Density	CR Basic	\$0.018	\$0.016	112.5%
Saturation	High Density	\$0.015	\$0.041	36.6%
3-Digit Automation Letter	Basic Automation Letter	\$0.012	\$0.015	80.0%
5-Digit Automation Letter	3-Digit Automation Letter	\$0.002	\$0.020	10.0%
Pre-barcoding (dollars / piece)				
Basic Automation Flats	Basic Nonautomation	\$0.016	\$0.055	29.1%
3-Digit Automation Flats	3-Digit Nonautomation	\$0.012	\$0.055	21.8%
5-Digit Automation Flats	5-Digit Nonautomation Flats	\$0.006	\$0.026	22.7%
Dropship (dollars/piece)				
DDU Dropship	All other zones	\$0.008	\$0.012	65.9%

Notes

- [1] Source of Discounts: Docket No. R2010-4R, Renewed Exigent Request, Attachment A, Schedule 1305
Discounts are calculated by subtracting the price in question from the benchmark price.
- [2] Cost Avoidance estimates from Tab: 'Within County Worksheet' except 5-Digit Automation Letters from Tab: 'PeriodicalsOutside County'

Note: See formulas in cell references for derivation and calculations.

Workshare Discounts and Benchmarks--Standard Mail Letters (Commercial and Nonprofit)

Type of Worksharing		Benchmark	Discount ^[1]	Avoided Cost ^[2]	Passthrough
Commercial and Nonprofit Standard Mail Letters--Automation					
Presorting (dollars / piece)					
[3] Automation AADC Letters	Automation Mixed AADC Letters		\$0.022	\$0.025	88.0%
Automation 3-digit Letters	Automation AADC Letters		\$0.000	\$0.004	0.0%
[3] Automation 5-digit Letters	Automation 3-digit Letters		\$0.018	\$0.020	90.0%
Pre-barcoding (dollars / piece)					
Automation Mixed AADC Letters	Nonautomation Machinable Mixed AADC Letters		\$0.008	-\$0.003	-266.7% See Note [4]
Commercial and Nonprofit Standard Mail Letters--Nonautomation					
Presorting (dollars / piece)					
Nonautomation AADC Machinable Letters	Nonautomation Mixed AADC Machinable Letters		\$0.018	\$0.018	100.0%
Nonautomation ADC Nonmachinable Letters	Nonautomation Mixed ADC Nonmachinable Letters		\$0.088	\$0.080	110.0%
Nonautomation 3-digit Nonmachinable Letters	Nonautomation ADC Nonmachinable Letters		\$0.031	\$0.027	114.8%
Nonautomation 5-digit Nonmachinable Letters	Nonautomation 3-digit Nonmachinable Letters		\$0.093	\$0.077	120.8%
Commercial and Nonprofit Standard Mail Letters					
Drop Ship (dollars / pound)					
DNDC Letters	Origin Letters		\$0.166	\$0.284	58.5%
DSCF Letters	Origin Letters		\$0.216	\$0.355	60.8%

Notes

- [1] Source of Discounts: Docket No. R2010-4R, Renewed Exigent Request, Attachment A, Schedule 1220
[2] Avoided Cost--Source: PRC ACD FY2012, Table VII-20 at p.120
[3] See Tab: Order No. 1793 STD Mail Ltrs for avoided cost
[4] The Postal Service letters mail processing cost model only estimates costs for the combined nonautomation machinable AADC and Mixed AADC categories.

Order No. 1793

"It is ordered:

The benchmark for automation Standard Regular 5-digit letter mail and for automation Standard Non-Profit 5-digit letter mail is the current volume-weighted average of AADC and 3-digit letters, as described in the body of this Order."

Issued July 29, 2013

FY 2012 Unit Costs					Volume: Q4 2012-Q3 2013		
<i>Regular Letters</i>					<i>Regular Letters</i>		
	Processing Cost	Delivery Cost	Total Cost	Cost Avoidance		Volume	% of Total
Mixed AADC	0.082	0.051	0.134				
AADC	0.064	0.049	0.113	0.021	AADC	1,395,090,868	11%
3-Digit	0.060	0.049	0.109	0.004	3-Digit	<u>11,788,621,649</u>	89%
5-Digit	0.042	0.047	0.089	0.020	Total	<u>13,183,712,517</u>	
<i>Nonprofit Letters</i>					<i>Nonprofit Letters</i>		
Mixed AADC	0.082	0.051	0.134				
AADC	0.064	0.049	0.113	0.021	AADC	622,364,065	14%
3-Digit	0.060	0.049	0.109	0.004	3-Digit	<u>3,719,037,895</u>	86%
5-Digit	0.042	0.047	0.089	0.020	Total	<u>4,341,401,960</u>	

Source: 2012 Annual Compliance Determination

Weighted Total Cost (Hybrid Benchmark)

Regular and Nonprofit Letters 0.109

<u>Order No. 1793</u>			
Regular & Nonprofit Letters			
	Total Cost	Cost Avoidance	
Mixed AADC	0.134		
Hybrid Benchmark (AADC & 3-Digit)	0.109	0.025	
5-Digit	0.089	0.020	

Assumption:

Given that most of the volume in the Letters category is in Regular Letters, the cost benchmark is calculated using regular volume.

Workshare Discounts and Benchmarks--Standard Mail Flats (Commercial and Nonprofit)

Type of Worksharing	Benchmark	Discount ^[1]	Avoided Cost ^[2]	Passthrough
Commercial and Nonprofit Standard Mail Flats--Automation				
Presorting (dollars / piece)				
Automation ADC Flats	Automation Mixed ADC Flats	\$0.029	\$0.032	90.6%
Automation 3-digit Flats	Automation ADC Flats	\$0.052	\$0.055	94.5%
Automation 5-digit Flats	Automation 3-digit Flats	\$0.086	\$0.087	98.9%
Commercial and Nonprofit Pre-barcoding (dollars / piece)				
Automation Mixed ADC Flats	Nonautomation Mixed ADC Flats	\$0.049	\$0.041	119.5%
Commercial and Nonprofit Standard Mail Flats--Nonautomation				
Presorting (dollars / piece)				
Nonautomation ADC Flats	Nonautomation Mixed ADC Flats	\$0.051	\$0.057	89.5%
Nonautomation 3-digit Flats	Nonautomation ADC Flats	\$0.054	\$0.057	94.7%
Nonautomation 5-digit Flats	Nonautomation 3-digit Flats	\$0.068	\$0.058	117.2%
Commercial and Nonprofit Standard Mail Flats				
Drop Ship (dollars / pound)				
DNDC Flats	Origin Flats	\$0.166	\$0.206	80.6%
DSCF Flats	Origin Flats	\$0.216	\$0.236	91.5%
Drop Ship (dollars / piece)^[3]				
DFSS Flats	Origin Flats	\$0.045	\$0.050	90.0%

Notes

[1] Source of Discounts: Docket No. R2010-4R, Renewed Exigent Request, Attachment A, Schedule 1225

[2] Avoided Cost--Source: PRC ACD FY2012, Proposal 9

CRA Adj Unit Costs page (for presorting); Presort Levels Held Const page (for pre-barcoding)

[3] Avoided Cost for Drop Ship (dollars / piece): The Commission's workpaper "FY2012 Destination Entry STD_Total.xls", tab "CS Data by Shape" was used to convert pounds to pieces (5,641,684 / 26,809,696 = 0.210)

The Avoided Cost: \$0.050 = \$0.2363 * 0.210

Workshare Discounts and Benchmarks--Standard Mail Parcels (Commercial and Nonprofit)

Type of Worksharing	Benchmark	Discount ^[1]	Avoided Cost ^[2]	Passthrough
Nonprofit Standard Mail Parcels				
Presorting (dollars / piece)				
NDC Machinable Parcels	Mixed NDC Machinable Parcels	\$0.375	\$0.536	70.0%
5-digit Machinable Parcels	NDC Machinable Parcels	\$0.269	\$0.550	48.9%
NDC Irregular Parcels	Mixed NDC Irregular Parcels	\$0.323	\$0.152	212.5%
SCF Irregular Parcels	NDC Irregular Parcels	\$0.346	\$0.346	100.0%
5-digit Irregular Parcels	SCF Irregular Parcels	\$0.108	\$0.465	23.2%
Pre-barcoding (dollars / piece)				
Mixed NDC Machinable Barcoded Parcels	Mixed NDC Machinable Nonbarcoded Parcels	\$0.064	\$0.039	164.1%
Mixed NDC Irregular Barcoded Parcels	Mixed NDC Irregular Nonbarcoded Parcels	\$0.064	\$0.039	164.1%
Commercial and Nonprofit Standard Mail Marketing Parcels				
Presorting (dollars / piece)				
NDC Marketing Parcels	Mixed NDC Marketing Parcels	\$0.392	\$0.308	127.3%
SCF Marketing Parcels	NDC Marketing Parcels	\$0.298	\$0.275	108.4%
5-digit Marketing Parcels	SCF Marketing Parcels	\$0.123	\$0.454	27.1%
Pre-barcoding (dollars / piece)				
Mixed NDC Barcoded Marketing Parcels	Mixed NDC Nonbarcoded Marketing Parcels	\$0.064	\$0.039	164.1%
Standard Mail Nonprofit Machinable Parcels				
Drop Ship (dollars / pound)				
DNDC Machinable Parcels	Origin Machinable Parcels	\$0.231	\$1.513	15.3%
DSCF Machinable Parcels	Origin Machinable Parcels	\$0.479	\$1.997	24.0%
DDU Machinable Parcels	Origin Machinable Parcels	\$0.664	\$2.196	30.2%
Standard Mail Nonprofit Irregular Parcels, Commercial and Nonprofit Marketing Parcels				
Drop Ship (dollars / pound)				
DNDC Irregular Parcels, Marketing Parcels	Origin Irregular Parcels, Marketing Parcels	\$0.231	\$1.513	15.3%
DSCF Irregular Parcels, Marketing Parcels	Origin Irregular Parcels, Marketing Parcels	\$0.479	\$1.997	24.0%
DDU Irregular Parcels, Marketing Parcels	Origin Irregular Parcels, Marketing Parcels	\$0.664	\$2.196	30.2%

Notes

[1] Source of Discounts: Docket No. R2010-4R, Renewed Exigent Request, Attachment A, Schedule 1230

[2] Avoided Cost--Source: PRC ACD FY2012, Table VII-21 (p. 121)

Workshare Discounts and Benchmarks--Standard Mail Carrier Route Letters, Flats, Parcels (Commercial and Nonprofit)

Type of Worksharing	Benchmark	Discount ^[1]	Avoided Cost ^[2]	Passthrough
Standard Mail Commercial and Nonprofit CR Letters, Flats, Parcels				
Drop Ship (dollars / pound)				
DNDC Letters	Origin Letters	\$0.168	\$0.284	59.2%
DSCF Letters	Origin Letters	\$0.218	\$0.355	61.4%
DNDC Flats	Origin Flats	\$0.168	\$0.206	81.6%
DSCF Flats	Origin Flats	\$0.218	\$0.236	92.4%
DDU Flats	Origin Flats	\$0.263	\$0.283	92.9%
Drop Ship (dollars / piece)^[3]				
DFSS Flats	Origin Flats	\$0.045	\$0.050	90.0%

Notes

[1] Source of Discounts: Docket No. R2010-4R, Renewed Exigent Request, Attachment A, Schedule 1215

[2] Avoided Cost--Source: PRC ACD FY2012, Table VII-19 (p. 119)

[3] Avoided Cost for Drop Ship (dollars / piece): The Commission's workpaper "FY2012 Destination Entry STD_Total.xls", tab "CS Data by Shape" was used to convert pounds to pieces (5,641,684 / 26,809,696 = 0.210)
The Avoided Cost: \$0.050 = \$0.2363 * 0.210

Workshare Discounts and Benchmarks--Standard Mail High Density and Saturation Letters (Commercial and Nonprofit)

Type of Worksharing	Benchmark	Discount ^[1]	Avoided Cost ^[2]	Passthrough
Commercial and Nonprofit Standard Mail HD / Saturation Letters				
Presorting (dollars / piece)				
High Density Letters	Carrier Route Letters	\$0.082	\$0.274	29.9%
Commercial and Nonprofit Drop Ship (dollars / pound)				
DNDC Letters	Origin Letters	\$0.168	\$0.284	59.2%
DSCF Letters	Origin Letters	\$0.218	\$0.355	61.4%

Notes

[1] Source of Discounts: Docket No. R2010-4R, Renewed Exigent Request, Attachment A, Schedule 1215

[2] Avoided Cost--Source: PRC ACD FY2012, Table VII-19 (p. 119)

Workshare Discounts and Benchmarks--Standard Mail High Density and Saturation Flats and Parcels (Commercial and Nonprofit)

Type of Worksharing	Benchmark	Discount ^[1]	Avoided Cost ^[2]	Passthrough
Commercial and Nonprofit Standard Mail HD / Saturation Flats and Parcels				
Presorting (dollars / piece)				
High Density Flats	Carrier Route Flats	\$0.052	\$0.054	96.3%
Commercial and Nonprofit Drop Ship (dollars / pound)				
DNDC Flats	Origin Flats	\$0.168	\$0.206	81.6%
DSCF Flats	Origin Flats	\$0.218	\$0.236	92.4%
DDU Flats	Origin Flats	\$0.263	\$0.283	92.9%
Drop Ship (dollars / piece)^[3]				
DFSS Flats	Origin Flats	\$0.045	\$0.050	90.0%

Notes

[1] Source of Discounts: Docket No. R2010-4R, Renewed Exigent Request, Attachment A, Schedule 1215

[2] Avoided Cost--Source: PRC ACD FY2012, Table VII-19 at p. 119

[3] Avoided Cost for Drop Ship (dollars / piece): The Commission's workpaper "FY2012 Destination Entry STD_Total.xls", tab "CS Data by Shape" was used to convert pounds to pieces (5,641,684 / 26,809,696 = 0.210)
The Avoided Cost: \$0.050 = \$0.2363 * 0.210

Workshare Discounts and Benchmarks--Media Mail and Library Mail

Type of Worksharing	Benchmark	Discount ^[1]	Avoided Cost ^[2]	Passthrough
Media Mail				
Presorting (dollars / piece)				
Basic	Single Piece	0.49	0.67	73.1%
5-digit	Basic	0.39	0.30	130.0%
Library Mail				
Presorting (dollars / piece)				
Basic	Single Piece	0.47	0.67	70.1%
5-digit	Basic	0.37	0.30	123.3%

Notes

- [1] Source of Discounts: Docket No. R2010-4R, Renewed Exigent Request, Attachment A, Schedule 1425
 [2] Presorting Cost Differences--Source:PRC ACD FY2012 at p. 131

Workshare Discounts and Benchmarks--Bound Printed Matter Flats

Type of Worksharing	Benchmark	Discount ^[1]	Avoided Cost ^[2]	Passthrough
BPM Flats				
Presorting (dollars / piece)^[3]				
Basic Flats	Single Piece Flats	0.344	See Note [3]	
Carrier Route Flats	Basic Flats	0.099	0.151	65.6%
Presorting (dollars / pound)^[3]				
Basic, Carrier Route Flats	Single Piece Flats			
Zones 1&2		0.046	See Note [3]	
Zone 3		0.061	See Note [3]	
Zone 4		0.057	See Note [3]	
Zone 5		0.062	See Note [3]	
Zone 6		0.071	See Note [3]	
Zone 7		0.069	See Note [3]	
Zone 8		0.072	See Note [3]	
Pre-barcoding (dollars / piece)^[4]				
Single Piece Automatable Flats	Single Piece Nonautomatable Flats	0.000	See Note [4]	
Basic Automatable Flats	Basic Nonautomatable Flats	0.000	See Note [4]	
Carrier Route Automatable Flats	Carrier Route Nonautomatable Flats	0.000	See Note [4]	
Drop Ship (dollars / piece)				
Basic, Carrier Route DNDC Flats	Basic Origin Flats	0.141	0.141	100.0%
Basic, Carrier Route DSCF Flats	Basic Origin Flats	0.640	0.648	98.8%
Basic, Carrier Route DFSS Flats	Basic Origin Flats	0.640	0.648	98.8%
Basic, Carrier Route DDU Flats	Basic Origin Flats	0.791	0.791	100.0%

Notes

- [1] Source of Discounts: Docket No. R2010-4R, Renewed Exigent Request, Attachment A, Schedule 1415
- [2] Presorting Cost Differences (Per Piece)--Source:PRC ACD FY2012 at p. 132
Drop Ship Cost Differences (Per Piece)--Source:PRC ACD FY2012 at p. 132
- [3] The BPM cost model does not estimate cost differences between single piece and presorted BPM. Single piece BPM is a residual category with low volume and adequate data are not available. Previously, rate differences between single piece and presorted BPM were based on an assumption that unit mail processing costs for single piece BPM were twice that of presorted BPM.
See Docket No R2006-1, USPS-T-38, p. 8.
- [4] Separate estimates of pre-barcoding cost savings are not available for BPM flats. Based on previous cost savings for BPM Parcels, the pre-barcoding discount for BPM flats implies a passthrough of 0.0%

Workshare Discounts and Benchmarks--Bound Printed Matter Parcels

Type of Worksharing	Benchmark	Discount ^[1]	Avoided Cost ^[2]	Passthrough
BPM Parcels / IPPs				
Presorting (dollars / piece)^[3]				
Basic Parcels / IPPs	Single Piece Parcels / IPPs	0.666	See Note [3]	
Carrier Route Parcels / IPPs	Basic Parcels / IPPs	0.099	0.151	65.6%
Presorting (dollars / pound)^[3]				
Basic, Carrier Route Parcels / IPPs	Single Piece Parcels / IPPs			
Zones 1&2		0.061	See Note [3]	
Zone 3		0.066	See Note [3]	
Zone 4		0.061	See Note [3]	
Zone 5		0.062	See Note [3]	
Zone 6		0.066	See Note [3]	
Zone 7		0.044	See Note [3]	
Zone 8		0.047	See Note [3]	
Drop Ship (dollars / piece)				
Basic, Carrier Route DNDC Parcels / IPPs	Basic Origin Parcels / IPPs	0.141	0.141	100.0%
Basic, Carrier Route DSCF Parcels / IPPs	Basic Origin Parcels / IPPs	0.642	0.648	99.1%
Basic, Carrier Route DDU Parcels / IPPs	Basic Origin Parcels / IPPs	0.791	0.791	100.0%

Notes

- [1] Source of Discounts: Docket No. R2010-4R, Renewed Exigent Request, Attachment A, Schedule 1420
- [2] Presorting and Pre-barcoding Cost Differences (Per Piece)--PRC ACD FY2012 at p. 133
Drop Ship Cost Differences (Per Piece)--Source:PRC ACD FY2012 at p. 133
- [3] The BPM cost model does not estimate cost differences between single piece and presorted BPM. Single piece BPM is a residual category with low volume and adequate data are not available. Previously, rate differences between single piece and presorted BPM were based on an assumption that unit mail processing costs for single piece BPM were twice that of presorted BPM.
See Docket No R2006-1, USPS-T-38, p. 8.